

Minnesota Contractor Recovery Fund annual report for fiscal year 2025

Executive summary

The Contractor Recovery Fund (CRF) was created in 1994. The program is administered by the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry (DLI) under Minnesota Statutes §326B.89.

The CRF compensates homeowners and lessees (homeowners for short) of Minnesota residential property who have experienced direct out-of-pocket losses as a result of a Minnesota-licensed residential contractor's deceptive actions or nonperformance.

In fiscal year (FY) 2025:

- CRF revenue was \$2.55 million, a 6% decrease from FY 2024.
- Homeowners filed 117 claims for CRF payment. Payment was approved for 92 claims.
- CRF claims approved totaled \$2.5 million.
- Claims were filed against 51 contractors. Payment was made in cases involving 39 contractors.
- DLI administrative and indirect costs accounted for 3% of total CRF expenses.
- CRF operating balance was \$6.24 million, a 22% decrease from FY 2024's ending balance.

Introduction

- The CRF compensates homeowners of Minnesota residential property who have experienced direct out-of-pocket losses as a result of a Minnesota-licensed contractor’s fraudulent, deceptive or dishonest practices, conversion of funds or failure of performance.
- DLI administers the CRF as part of its role in licensing residential building contractors. Licenses are required for residential building contractors and residential remodelers who contract with homeowners to construct or improve dwellings by offering more than one specialty skill.
- Fees from each licensed residential building contractor in Minnesota are deposited into the state treasury to fund the CRF. In FY 2025, the CRF fee for a two-year license ranged from \$320 to \$520, depending on the contractor’s gross business receipts. The fee structure is shown in *Table 1*.

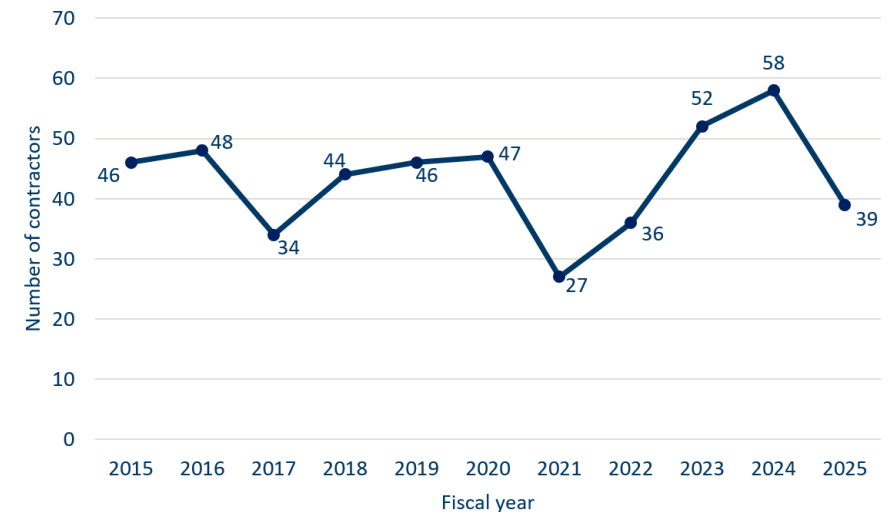
Table 1: Residential contractor license fees, fiscal year 2025

Fee	Gross annual receipts		
	Less than \$1 million	\$1 million to \$5 million	More than \$5 million
License	\$180	\$180	\$180
Recovery Fund	\$320	\$420	\$520
Total	\$500	\$600	\$700

Contractor and claim limitations

- In FY 2025, homeowners filed claims against 51 contractors and the CRF approved claims in cases involving 39 contractors (*Figure 1*). Multiple claims were approved against 14 contractors.
- The CRF statute limits the amount of compensation that can be paid for judgments against each individual contractor; this limit is currently set at \$550,000. When the “contractor license limit” is reached, the CRF must pro-rate homeowners’ claims.
 - In FY 2025, three claims against contractors exceeded the \$550,000 limit, and therefore proration was necessary.
- Also, when a homeowner’s claim exceeds the limit for the amount they can receive for claims against a single contractor, their payment is reduced to the maximum allowed. For FY 2025, the claim payment limit per contractor for each homeowner was \$100,000.
 - In FY 2025, four homeowners filed claims for amounts higher than the claim limit and were approved for reduced amounts.

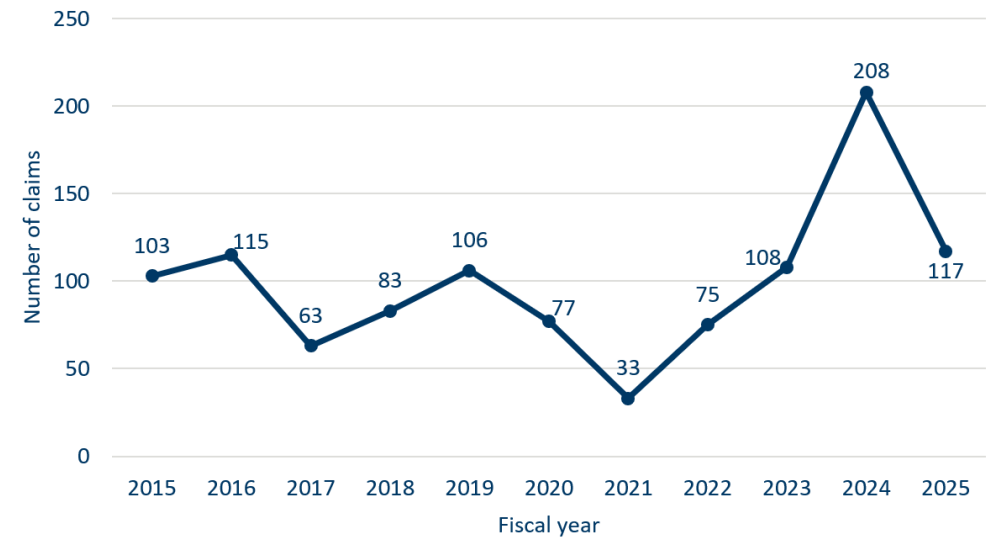
Figure 1: Contractors involved in approved claims



Contractor Recovery Fund claims

- To apply to the CRF for compensation, homeowners must obtain a court-ordered judgment based on a claim of misconduct. After DLI receives a homeowner's application for compensation, it determines eligibility for recovery. If the homeowner qualifies, DLI determines the compensable loss the homeowner suffered.
- In FY 2025, homeowners requested payment for 117 claims, a 44% decrease from FY 2024 (*Figure 2*). The CRF has reviewed an average of 97 claims in the prior 10 years.
- DLI approved payments for 92 of the FY 2025 claims. Reasons claims were not approved for payment included incomplete applications, not having a properly documented judgement, unlicensed contractors, or other eligibility issues.

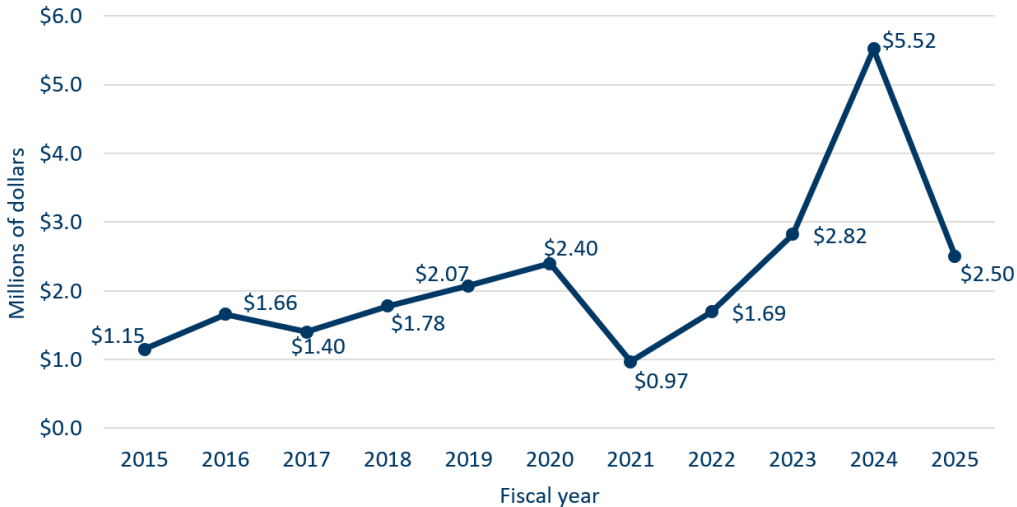
Figure 2: Contractor Recovery Fund claims, by fiscal year claim received



Contractor Recovery Fund claim amount

- CRF payments for approved claims are typically made twice each year, in the fall and the spring.
- Claims approved during FY 2025 totaled about \$2.50 million – a 55% decrease from the previous year and a 17% increase from the average of the prior ten years (\$2.15 million). *Figure 3* shows the value of claims approved each year since 2015.
- Homeowners requested an average of \$32,000 for the 92 approved claims in FY 2025. The average approved amount was about \$27,200.

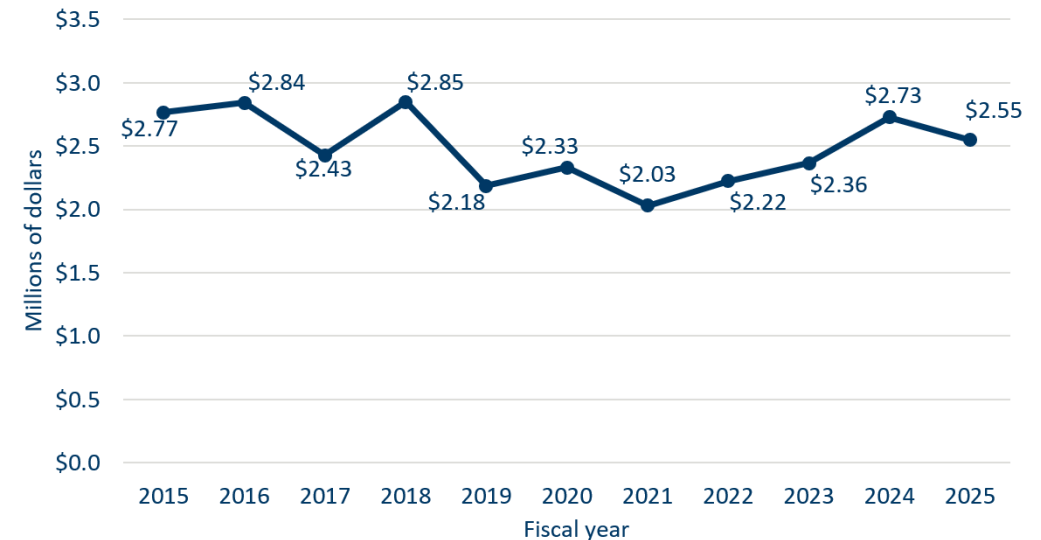
Figure 3: Contractor Recovery Fund claim value, in millions, by fiscal year claim approved



Contractor Recovery Fund revenues

- During fiscal years 2015 through 2025, about 92% of CRF revenue came from fees paid by contractors. Other sources of revenue for the fund are interest earned on the fund balance and contractor repayments.
- The revenue collected during FY 2025 was \$2.55 million, 6% lower than the FY 2024 amount (*Figure 4*).
- The two-year contractor licensure cycle affects CRF revenues. Annual CRF revenue fluctuates because more contractors renew their licenses in the even-numbered years. The average revenue decrease in odd-numbered years, from 2017 to 2025, is 10%.
- In FY 2025, 6,226 residential contractors paid CRF fees when they received a new license or renewed their existing license. This is 4% lower than in FY 2024, when 6,454 contractors paid CRF fees.

Figure 4: Contractor Recovery Fund revenue, in millions



Administrative expenses

- DLI administers the CRF through the Construction Codes and Licensing Division. Direct and indirect administrative expenses were \$143,000 in FY 2025 (*Figure 5*). The average yearly administrative cost from 2015 through 2025 was \$159,000.
- The decrease in administrative costs from FY 2022 to FY 2023 was due to a required statewide consumer awareness campaign ending.
- In FY 2025, administrative expenses accounted for 3% of CRF expenses (*Figure 6*); payouts to homeowners were the remaining 97% of expenses.

Figure 5: Contractor Recovery Fund administrative costs, in thousands

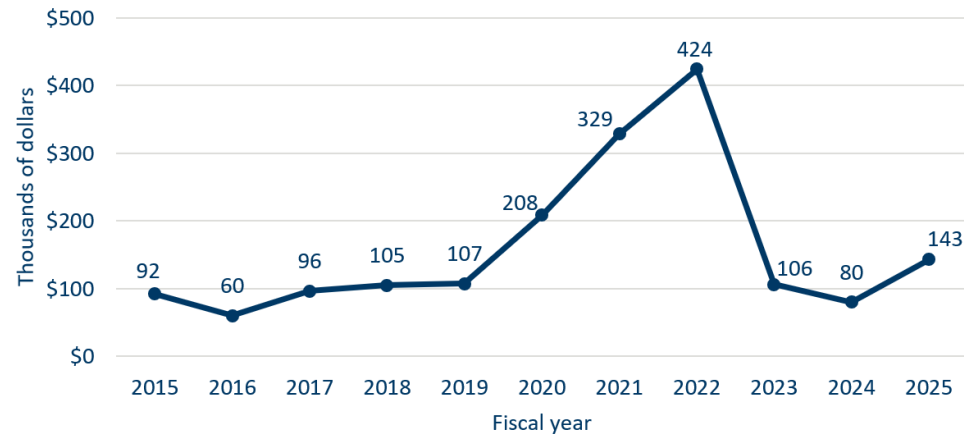
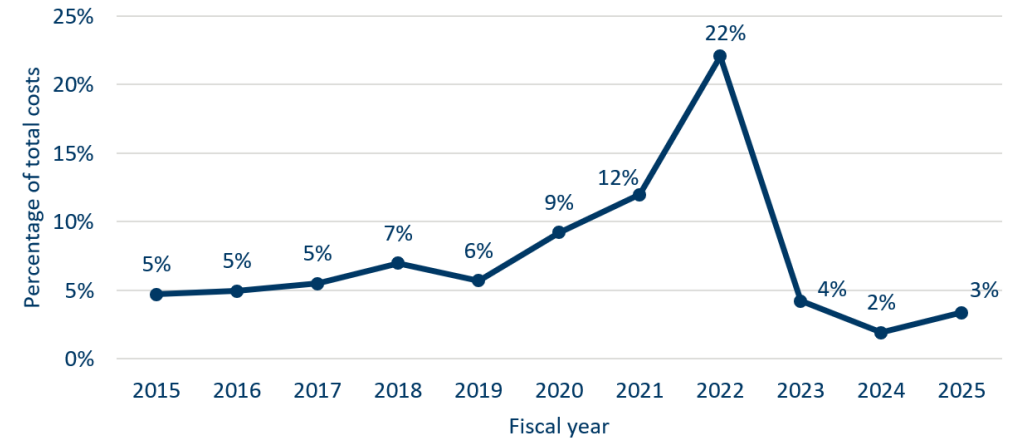


Figure 6: Contractor Recovery Fund administrative costs as a percentage of total costs



Contractor Recovery Fund balance

- Revenue collected from contractors have historically exceeded claim payouts to homeowners (*Figure 7*). However, in FY 2025, the approved payout amount exceeded revenues by approximately \$1.57 million.
- The CRF balance increased steadily from 2015 to 2018 and remained relatively stable until 2023 (*Figure 8*). The balance at the close of FY 2025 was \$6.24 million, 22% lower than FY 2024. A fund surcharge of \$80 was eliminated in 2018.

Figure 7: Contractor Recovery Fund revenue minus homeowner payments, in millions

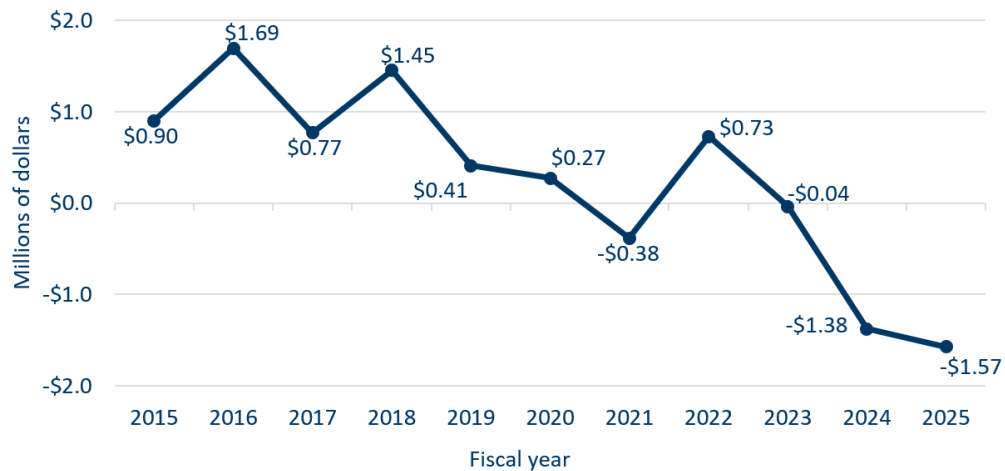
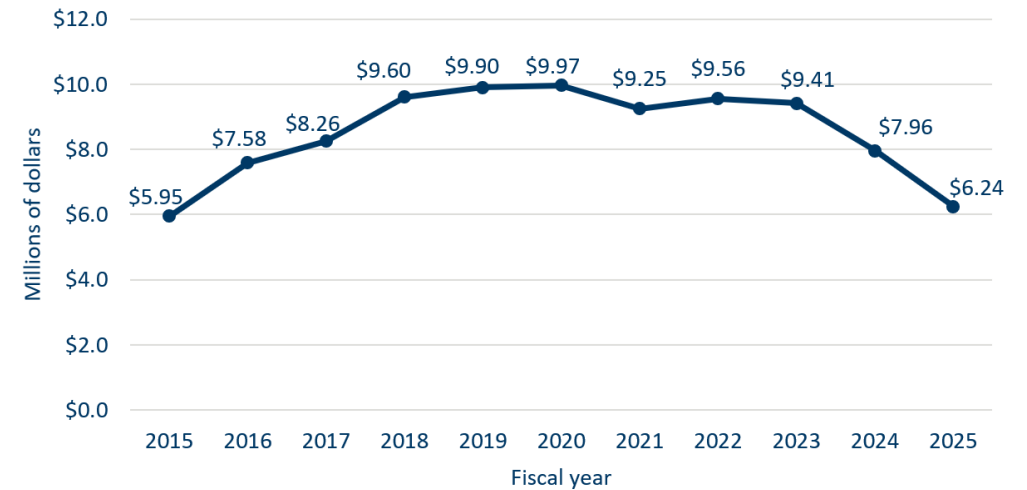


Figure 8: Contractor Recovery Fund balance, in millions



Data notes and resources



- The state fiscal year begins on July 1 and ends on June 30 of the indicated year.
- The report uses data from DLI's Construction Codes and Licensing Division and from DLI's Financial Services unit.
- Starting with the FY 2022 report, the reporting methodology was updated to separate programmatic data and financial transaction data causing minor incongruities from historical data in prior reports.



- This report is available at dli.mn.gov/workers/homeowners/contractor-recovery-fund.
- The report was written by staff members from DLI's Research and Data Analytics unit. Questions about the report? Contact dli.research@state.mn.us.
- To apply to the Contractor Recovery Fund, visit dli.mn.gov/workers/homeowners/contractor-recovery-fund.